

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2006 represent short-term borrowings between funds and are summarized as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		Delinquent Tax Revolving	\$ 197,225
		County Section 125 Plan	5,000
		Friend of Court Trust	1,000
		Sheriff Inmate Trust	<u>2,000</u>
General Fund	<u>\$ 205,225</u>	Subtotal	<u>205,225</u>
State-Special Child Care	<u>3,688</u>	General Fund	<u>3,688</u>
Revenue Sharing Reserve	<u>15,000</u>	General Fund	<u>15,000</u>
Local Emergency Planning	<u>22,774</u>	Homeland Security Grant	<u>22,774</u>
Total	<u><u>\$ 246,687</u></u>	Total	<u><u>\$ 246,687</u></u>

Financial Statement Presentation:

Governmental Funds	\$ 246,687	Governmental Funds	\$ 41,462
Proprietary Funds	-	Proprietary Funds	197,225
Fiduciary Funds	<u>-</u>	Fiduciary Funds	<u>8,000</u>
Total	<u><u>\$ 246,687</u></u>		<u><u>\$ 246,687</u></u>

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006, was as follows:

	Balance at 10/01/05	Additions	Disposals	Balance at 09/30/06
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 193,709	\$ -	\$ -	\$ 193,709
Capital assets being depreciated:				
Land improvements	90,503	31,448	-	121,951
Buildings and improvements	4,241,688	2,966	10,445	4,234,209
Machinery and equipment	1,726,290	207,036	216,161	1,717,165
Total depreciable assets	6,058,481	241,450	226,606	6,073,325
Total capital assets	6,252,190	241,450	226,606	6,267,034
Less accumulated depreciation:				
Land improvements	21,155	2,407	-	23,562
Buildings and improvements	2,282,280	110,793	-	2,393,073
Machinery and equipment	877,056	180,478	143,865	913,669
Total accumulated depreciation	3,180,491	293,678	143,865	3,330,304
Net depreciable capital assets	2,877,990	(52,228)	82,741	2,743,021
Governmental activities capital assets, net	<u>\$ 3,071,699</u>	<u>\$ (52,228)</u>	<u>\$ 82,741</u>	<u>\$ 2,936,730</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 31,355
General government	51,617
Public safety	168,485
Health and welfare	3,695
Recreation and culture	38,526
Total governmental activities depreciation expense	<u>\$ 293,678</u>

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE F - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/05	Additions	Disposals	Balance at 09/30/06
Capital assets not being depreciated:				
Land and improvements	\$ 18,100	\$ -	\$ -	\$ 18,100
Capital assets being depreciated:				
Buildings and improvements	1,104,470	-	-	1,104,470
Machinery and equipment	7,354,234	14,585	159,015	7,209,804
Infrastructure - bridges	7,549,564	437,450	173,449	7,813,565
Infrastructure - roads	38,282,469	2,901,496	1,181,254	40,002,711
Total depreciable capital assets	54,290,737	3,353,531	1,513,718	56,130,550
Total capital assets	54,308,837	3,353,531	1,513,718	56,148,650
Less accumulated depreciation:				
Buildings and improvements	486,023	25,821	-	511,844
Machinery and equipment	6,248,416	393,161	158,208	6,483,369
Infrastructure - bridges	2,087,219	301,937	173,449	2,215,707
Infrastructure - roads	16,790,294	2,023,808	1,181,254	17,632,848
Total accumulated depreciation	25,611,952	2,744,727	1,512,911	26,843,768
Net depreciable capital assets	28,678,785	608,804	807	29,286,782
Capital assets, net	\$ 28,696,885	\$ 608,804	\$ 807	\$ 29,304,882

In 2005, the Road Commission has elected to retroactively report infrastructure assets by restating beginning balances for bridges and roads. The Road Commission's beginning net capital assets increased by \$22,858,712, which consisted of increase in bridges of \$4,622,633 (\$6,553,167 in capital assets, less \$1,930,534 accumulated depreciation) and an increase in roads of \$18,236,079 (\$33,047,572 in capital assets, less \$14,811,493 accumulated depreciation).

NOTE G – LONG – TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2006:

Type of Debt	Balance 10/1/2005	Additions	Deductions	Balance 9/30/2006	Due Within One Year
Governmental activities:					
Note payable - Wells Fargo					
community development	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -
Compensated absences	395,381	23,200	-	418,581	104,645
Alternative retirement	267,438	6,699	-	274,137	68,535
Total	\$ 712,819	\$ 29,899	\$ -	\$ 742,718	\$ 173,180

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE G – LONG – TERM DEBT (continued)

During 2003, Wells Fargo loaned the County \$50,000 for the purpose to organize, operate and manage the affairs, property, business and activities of an affordable housing purchase and rehabilitation revolving loan fund throughout the city and county of Menominee. Interest will be calculated at an initial fixed rate of 2% for the first ten years and 3.5% below the then ten year U.S. Treasury note rate for years thereafter. Interest is calculated monthly and payable quarterly. The principal balance of the note is not due until January 2013, however, Wells Fargo is obligated to extend the note for one year if the County satisfactorily performs all of its obligations. Annually thereafter, Wells Fargo has the option of extending the notes maturity date. Repayment of the note principal shall come from loan payment proceeds or the proceeds of the sale of a grantee's home. The County is under no obligation to repay loan funds from tax generated monies. The following is a summary of the required debt service payments.

For the Year Ending September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2007	\$ -	\$ 1,000
2008	-	1,000
2009	-	1,000
2010	-	1,000
2011	-	1,000
2012-2013	50,000	4,000
Total	\$ 50,000	\$ 9,000

Accrued Vacation and Sick Liability – Employees earn annual vacation and sick leave days per year based on the number of years of service up to a maximum. Annual vacation and sick leave days are based on the various labor union contract terms and administrative policies of the different County operating units. An accrued liability for vacation and sick time in the amount of \$418,581 has been recorded in the statement of net asset under governmental activities.

Alternative Retirement – The County offers an alternative retirement payout to any employee who terminates his/her employment with the County, who has not met the requirements to vest in the Municipal Employees Retirement System (MERS) retirement plan.

Under the payout plan, the County will pay employees 100% of employee contributions to MERS and 4% of their current annual gross wages times the number of years worked under this plan.

At September 30, 2006, an accrued liability in the amount of \$274,137 was recorded under governmental activities in the statement of net assets.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE H - ROAD COMMISSION LONG-TERM DEBT

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2005	Additions	Deductions	Balance 9/30/2006
Compensated Absences	\$ 287,237	\$ 12,949	\$ -	\$ 300,186

Vacation Benefits

Vacation is earned in varying amounts depending on the number of years of service of an employee. Road Commission policy provides that the vacation benefits earned in the current calendar year are to be paid to the employee in the subsequent calendar year.

Sick Leave Benefits

Effective January 1, 2005, each regular full-time employee receives 56 hours of sick leave. There is no limitation on the accumulation of unused sick leave time. Upon retirement or voluntary termination with 20 years of service and proper notice, employees who were hired before September 1, 1982 shall be paid 100% of their accumulated unused sick leave, up to a maximum of 480 hours. Employees hired after September 1, 1982, shall be paid 50% of their accumulated sick leave, up to a maximum of 120 hours.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE I - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are made to fund various County programs operational expenditures and are summarized as follows for the year ended September 30, 2006:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 789,480	\$ 682,960
Revenue Sharing Reserve	-	467,995
Road Patrol	123,136	-
County Parks	99,611	-
Park Improvement	10,000	-
Law Library	21,183	-
County Library	258,414	-
K-9	339	-
Child Care	115,850	-
State-Special Child Care	54,427	-
Enterprise Funds:		
P.A. 123 Foreclosure	-	21,485
Delinquent Tax Revolving	-	300,000
Total	<u>\$ 1,472,440</u>	<u>\$ 1,472,440</u>

NOTE J - RETIREMENT PLANS

General County

Plan Description - The General County and the County Road Commission (discretely presented component unit) participate in a defined benefit retirement plan. The union personnel for the District Health Department participate in a defined benefit contributory plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE J – RETIREMENT PLANS (continued)

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Retirement Plan - The General County offers its various departments benefit B-3 with the exception of the County Library employees who have benefit C-1 Old. Under benefit B-3 employees shall receive 2.25% of their three-year final average compensation, with a maximum benefit of 80% of their three year final average compensation. Under benefit C-1 Old, an employee shall receive a benefit of 1.2% times the first \$4,200 of their three year final average compensation plus 1.7% times the portion of their three year final average compensation over \$4,200. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Administration office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE J – RETIREMENT PLANS (continued)

GASB 25 INFORMATION (as of 12/31/05)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 5,040,529
Terminated employees not yet receiving benefits	700,337
Non-vested terminated employees	19,487
Current Employees:	
Accumulated employee contributions including allocated investment income	401,402
Employer financed	<u>6,818,164</u>
Total actuarial accrued liability	12,979,919
Net assets available for benefits, at actuarial value (market value is \$9,427,268)	<u>9,682,408</u>
Unfunded (overfunded) actuarial accrued liability	\$ 3,297,511

GASB 27 INFORMATION (as of 12/31/05)

Fiscal year beginning	October 1, 2007
Annual required contribution (ARC)	\$ 527,520
Amortization factor used	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2005 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2003	\$ 399,878	100%	-
2004	423,305	100%	-
2005	495,582	100%	-

The General County was required to contribute \$503,402 and employee contributions were \$47,946 for the year ended September 30, 2006. Payments were based on contribution calculations made by MERS.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE J - RETIREMENT PLANS (continued)

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2003	\$ 8,397,878	\$ 10,956,126	\$ 2,558,248	77%	\$ 3,158,331	81%
2004	9,011,875	12,074,584	3,062,709	75%	3,157,432	97%
2005	9,682,408	12,979,919	3,297,511	75%	3,330,819	99%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

The County was required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	Employer Contribution Percentage			Member Contribution Percentage		
	2007 *	2006 *	2005 *	2007	2006	2005
Airport Employees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sheriff Nonunion	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Courthouse	13.77%	14.14%	14.18%	0.00%	0.00%	0.00%
Library Employees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Buildings & Grounds Super	35.90%	0.00%	0.00%	2.30%	0.00%	0.00%
Courthouse Employees	14.95%	14.92%	15.86%	1.50%	1.50%	1.50%
Administrator	27.73%	0.00%	0.00%	0.00%	0.00%	0.00%
Sheriff Local 328	15.21%	15.16%	13.66%	2.30%	2.30%	2.30%
Undersheriff	0.00%	46.23%	7.54%	0.00%	0.00%	0.00%

* Represents the actuarial required contribution for the fiscal year ended.

County Road Commission (component unit)

The Menominee County Road Commission has two pension plans: the American Express Financial Simplified Employee Pension Plan for its full-time employees, and the Michigan Employees' Retirement System for its full-time nonunion employees.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE J - RETIREMENT PLANS (continued)

Union Employees' Plan – Profit Sharing Plan

All union employees were covered under a defined contribution pension plan with the American Express Financial Simplified Employee Pension Plan (effective January 1, 2000). The plan administrator is the Road Commission, who has established a trust fund administered by American Express Financial Advisors, Inc. During the fiscal year ended September 30, 2005, the Menominee County Road Commission's required and actual contributions amounted to \$127,500. Pension fund contributions are based on a fixed weekly rate for each employee covered by the collective bargaining agreement. The Road Commission's weekly contribution for each union employee was \$65. There were 39 union employees covered under this plan during 2005. The most recent period for which the value of the plan assets were available was for the fiscal year ended September 30, 2005.

Nonunion Employees Plan – Description of Plan and Plan Assets

The Menominee County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% time the final average compensation (FAC) for all general employees and 2.5% of the FAC for the manager and supervisors. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 18.23% for general employees and 20.77% for the manager for the calendar year ending December 31, 2005.

Annual Pension Cost – During the calendar year ended December 31, 2005, the Road Commission's contributions totaling \$115,220 were made in accordance with the contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8%, annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases and the assumption that benefits will increase 2.5% per year (annually) after retirement.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE J - RETIREMENT PLANS (continued)

Three Year Trend Information for GASB Statement No. 27

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2003	\$ 107,998	100%	\$ -
2004	116,273	100%	-
2005	115,220	100%	-

Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2003	\$ 1,855,858	\$ 2,773,670	\$ 917,812	67%	\$ 557,716	165%
2004	1,999,441	3,095,555	1,096,114	65%	602,077	182%
2005	2,148,580	3,089,813	941,233	70%	595,930	158%

NOTE K - FUND EQUITY DESIGNATIONS/RESERVES

A. Fund equity has been designated in the General Fund as follows:

Building projects	\$ 2,339,288
Prisoner board	188,797
District court - computer	18,567
Economic development	20,000
Marriage counseling	7,449
Park improvement	30,000
Hannahville grant	1,142
Library	30,000
Total	<u>\$ 2,635,243</u>

B. Fund equity has been reserved for the following purposes:

- Fund balance of \$2,187 has been reserved in the Library Bequest fund as the unexpendable portion of fund balance.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE L – RESTRICTED NET ASSETS

The government-wide statement of net assets reports \$1,475,315 of restricted net assets which is restricted by enabling legislation.

NOTE M - CONTINGENT LIABILITIES

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

NOTE N - RISK MANAGEMENT

The County of Menominee participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The County makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members self-insurance retention limits along with certain other member specific costs.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance. At September 30, 2006, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF MENOMINEE, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 3,857,566	\$ 3,857,566	\$ 4,048,771	\$ 191,205
License and permits	5,600	5,600	8,726	3,126
Federal sources	317,359	317,359	342,530	25,171
State sources	991,645	998,449	498,711	(499,738)
Local sources	3,500	3,500	12,319	8,819
Charges for services	675,280	675,280	710,107	34,827
Fines, forfeitures and penalties	89,900	89,900	65,836	(24,064)
Interest and rentals	150,000	150,000	193,100	43,100
Other	33,867	107,311	156,939	49,628
Total revenues	6,124,717	6,204,965	6,037,039	(167,926)
EXPENDITURES:				
Legislative	248,108	248,108	240,368	7,740
Judicial system:				
Circuit court	193,200	193,200	181,155	12,045
Family court	265,882	265,882	271,158	(5,276)
District court	464,317	464,317	438,764	25,553
Friend of court	303,638	303,638	280,086	23,552
Jury commission	5,412	5,412	4,528	884
Probate court	113,315	113,315	107,890	5,425
General government:				
Elections	44,400	44,400	44,805	(405)
Board of canvassers	1,550	1,550	1,548	2
Audit	28,000	28,000	25,000	3,000
Legal fees	10,000	10,000	23,542	(13,542)
Clerk	319,948	319,948	309,506	10,442
Administration	158,493	158,493	153,585	4,908
Equalization	146,319	146,319	141,733	4,586
Prosecuting attorney	388,206	388,206	380,961	7,245
Register of deeds	116,577	116,577	123,081	(6,504)
Treasurer	201,522	210,522	213,994	(3,472)
Cooperative extension	111,981	113,781	107,604	6,177
Buildings and grounds	357,388	345,083	352,415	(7,332)
Drain commissioner	539	539	576	(37)
Airport commission	92,878	92,878	85,031	7,847
Planning commission	950	950	437	513
Hospital building operations	255,346	255,346	166,711	88,635
Public safety:				
Sheriff and jail	1,525,419	1,630,227	1,511,543	118,684
ORV	8,456	9,022	7,858	1,164
Marine safety	12,482	16,682	15,485	1,197
Snowmobile law	7,659	17,782	17,503	279
Civil defense and emergency service	54,532	54,532	53,608	924
Neighborhood family center	2,500	2,500	2,500	-
ATV education	8,806	8,806	732	8,074
Animal shelter	2,500	2,500	2,500	-
Health and welfare:				
Hazardous waste	16,600	16,600	11,570	5,030
Medical examiner	38,350	38,350	40,160	(1,810)
Veterans burial and relief	13,680	13,680	10,425	3,255
Veterans affairs	50,358	50,358	65,777	(15,419)
Delta-Menominee Health Department	144,363	144,363	148,538	(4,175)
Cigarette tax distribution	52,511	52,511	11,175	41,336
Mental health	99,608	99,608	99,608	-
Rescue squads	8,000	8,000	8,000	-
Convention facility tax	-	-	23,399	(23,399)
Rainbow house	2,500	2,500	2,500	-
Family Independence Agency	-	-	8,000	(8,000)
Recreation and culture	13,380	13,380	13,380	-
Community and economic development	20,000	20,000	20,000	-
Capital outlay	80,000	115,142	230,747	(115,605)
Other - appropriations	65,600	65,600	1,210	64,390
Total expenditures	6,055,273	6,208,607	5,960,696	247,911
Excess revenues (expenditures)	69,444	(3,642)	76,343	79,985
OTHER FINANCING SOURCES (USES)				
Transfer in	300,000	309,000	789,480	480,480
Transfer out	(680,206)	(680,206)	(682,960)	(2,754)
Total other financing sources (uses)	(380,206)	(371,206)	106,520	477,726
Net changes in fund balances	(310,762)	(374,848)	182,863	557,711
Fund balances - beginning	3,853,878	3,853,878	3,853,878	3,853,878
Fund balances - ending	\$ 3,543,116	\$ 3,479,030	\$ 4,036,741	\$ 4,411,589

COUNTY OF MENOMINEE, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REVENUE SHARING RESERVE
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 1,159,297	\$ 1,159,297
Interest	-	-	34,479	34,479
Total revenues	-	-	1,193,776	1,193,776
EXPENDITURES:				
General government	-	-	-	-
Excess revenues (expenditures)	-	-	1,193,776	1,193,776
OTHER FINANCING SOURCES (USES):				
Transfer out	-	-	(467,995)	(467,995)
Net changes in fund balances	-	-	725,781	725,781
Fund balances - beginning	-	-	621,813	621,813
Fund balances - ending	\$ -	\$ -	\$ 1,347,594	\$ 1,347,594

COMBINING FUND FINANCIAL STATEMENTS

**COUNTY OF MENOMINEE, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006**

	Special Revenue Funds			
	Road Patrol	County Parks	Friend of Court	Park Improvement
ASSETS				
Cash and equivalents:				
Unrestricted	\$ (37,807)	\$ 43,706	\$ 15,158	\$ 43,358
Receivables:				
Accounts	-	2,067	-	50
Due from other funds	-	-	-	-
Due from State of Michigan	20,541	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ (17,266)</u>	<u>\$ 45,773</u>	<u>\$ 15,158</u>	<u>\$ 43,408</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 22,882	\$ 10,624	\$ -	\$ -
Accrued payroll	8,326	1,898	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	3,097	-	-
Total liabilities	<u>31,208</u>	<u>15,619</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	(48,474)	30,154	15,158	43,408
Reserved	-	-	-	-
Total fund balances	<u>(48,474)</u>	<u>30,154</u>	<u>15,158</u>	<u>43,408</u>
Total liabilities and fund balances	<u>\$ (17,266)</u>	<u>\$ 45,773</u>	<u>\$ 15,158</u>	<u>\$ 43,408</u>

See accompanying notes to financial statements.

Special Revenue Funds

Remonu- mentation	Building Department	ROD Automation	Corrections Officers Training	Drug Law Enforcement	911 Program	Law Library
\$ (27,195)	\$ (7,372)	\$ 4,959	\$ 17,820	\$ 4,461	\$ 125,887	\$ 8,915
-	2,410	-	2,520	-	25,211	-
-	-	-	-	-	-	-
-	-	-	-	-	27,783	-
-	-	-	-	-	-	-
<u>\$ (27,195)</u>	<u>\$ (4,962)</u>	<u>\$ 4,959</u>	<u>\$ 20,340</u>	<u>\$ 4,461</u>	<u>\$ 178,881</u>	<u>\$ 8,915</u>
\$ 4,315	\$ 1,823	\$ -	\$ -	\$ -	\$ 5,856	\$ 6,244
-	816	223	-	-	6,627	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,315</u>	<u>2,639</u>	<u>223</u>	<u>-</u>	<u>-</u>	<u>12,483</u>	<u>6,244</u>
(31,510)	(7,601)	4,736	20,340	4,461	166,398	2,671
-	-	-	-	-	-	-
<u>(31,510)</u>	<u>(7,601)</u>	<u>4,736</u>	<u>20,340</u>	<u>4,461</u>	<u>166,398</u>	<u>2,671</u>
<u>\$ (27,195)</u>	<u>\$ (4,962)</u>	<u>\$ 4,959</u>	<u>\$ 20,340</u>	<u>\$ 4,461</u>	<u>\$ 178,881</u>	<u>\$ 8,915</u>

COUNTY OF MENOMINEE, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

	Special Revenue Funds			
	County Library	CDBG Wells Fargo	CDBG Housing	CERT
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 103,022	\$ 38,591	\$ (98)	\$ 631
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ 103,022</u>	<u>\$ 38,591</u>	<u>\$ (98)</u>	<u>\$ 631</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,948	\$ -	\$ -	\$ -
Accrued payroll	3,462	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>9,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	93,612	38,591	(98)	631
Reserved	-	-	-	-
Total fund balances	<u>93,612</u>	<u>38,591</u>	<u>(98)</u>	<u>631</u>
Total liabilities and fund balances	<u>\$ 103,022</u>	<u>\$ 38,591</u>	<u>\$ (98)</u>	<u>\$ 631</u>

See accompanying notes to financial statements.

Special Revenue Funds

Local Emergency Planning	Homeland Security Grant	2004 Homeland Security Grant	Canteen	K-9	Senior Citizens	Child Care
\$ (22,204)	\$ 370	\$ (1,128)	\$ 44,915	\$ 4,620	\$ 146	\$ (38,814)
-	-	-	141	20	-	-
22,774	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 570</u>	<u>\$ 370</u>	<u>\$ (1,128)</u>	<u>\$ 45,056</u>	<u>\$ 4,640</u>	<u>\$ 146</u>	<u>\$ (38,814)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,907
-	-	-	-	-	-	-
-	22,774	-	-	-	-	-
-	-	-	-	-	-	-
-	22,774	-	-	-	-	26,907
570	(22,404)	(1,128)	45,056	4,640	146	(65,721)
-	-	-	-	-	-	-
570	(22,404)	(1,128)	45,056	4,640	146	(65,721)
<u>\$ 570</u>	<u>\$ 370</u>	<u>\$ (1,128)</u>	<u>\$ 45,056</u>	<u>\$ 4,640</u>	<u>\$ 146</u>	<u>\$ (38,814)</u>

**COUNTY OF MENOMINEE, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006**

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Veterans Trust</u>	<u>State-Special Child Care</u>	<u>Library Bequest</u>	
ASSETS				
Cash and equivalents:				
Unrestricted	\$ (87)	\$ (13,356)	\$ 2,187	\$ 310,685
Receivables:				
Accounts	-	-	-	32,419
Due from other funds	-	3,688	-	26,462
Due from State of Michigan	-	7,810	-	56,134
Prepaid expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ (87)</u>	<u>\$ (1,858)</u>	<u>\$ 2,187</u>	<u>\$ 425,700</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 3,992	\$ -	\$ 88,591
Accrued payroll	-	1,785	-	23,137
Due to other funds	-	-	-	22,774
Deferred revenue	-	-	-	3,097
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,097</u>
Total liabilities	<u>-</u>	<u>5,777</u>	<u>-</u>	<u>137,599</u>
Fund balances:				
Unreserved:				
Undesignated	(87)	(7,635)	-	285,914
Reserved	-	-	2,187	2,187
	<u>-</u>	<u>-</u>	<u>2,187</u>	<u>2,187</u>
Total fund balances	<u>(87)</u>	<u>(7,635)</u>	<u>2,187</u>	<u>288,101</u>
Total liabilities and fund balances	<u>\$ (87)</u>	<u>\$ (1,858)</u>	<u>\$ 2,187</u>	<u>\$ 425,700</u>

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2006

	Special Revenue Funds			
	Road Patrol	County Parks	Friend of Court	Park Improvement
REVENUES:				
Taxes	\$ 582,846	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	107,597	-	-	-
Local sources	-	-	-	-
Charges for services	-	155,189	4,924	4,967
Fines, forfeitures and penalties	-	-	-	-
Interest and rentals	-	-	-	-
Other	4,944	5,826	-	-
Total revenues	695,387	161,015	4,924	4,967
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	820,233	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	216,948	-	-
Capital outlay	17,540	19,750	-	-
Total expenditures	837,773	236,698	-	-
Excess revenues (expenditures)	(142,386)	(75,683)	4,924	4,967
OTHER FINANCING SOURCES (USES):				
Transfer in	123,136	99,611	-	10,000
Transfer out	-	-	-	-
Total other financing sources (uses)	123,136	99,611	-	10,000
Net changes in fund balance	(19,250)	23,928	4,924	14,967
Fund balances - beginning	(29,224)	6,226	10,234	28,441
Fund balances - ending	\$ (48,474)	\$ 30,154	\$ 15,158	\$ 43,408

See accompanying notes to financial statements.

Special Revenue Funds

Remonu- mentation	Building Department	ROD Automation	Corrections Officers Training	Drug Law Enforcement	911 Program	Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
169,755	-	-	-	-	108,981	-
-	-	-	-	-	-	-
-	75,439	34,665	13,762	-	363,035	-
-	-	-	-	-	-	3,500
-	-	-	-	-	-	-
-	-	-	-	-	849	-
169,755	75,439	34,665	13,762	-	472,865	3,500
-	-	-	-	-	-	13,829
151,994	73,516	8,794	-	-	-	-
-	-	-	2,255	595	504,528	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	24,668	-	-	-	-
151,994	73,516	33,462	2,255	595	504,528	13,829
17,761	1,923	1,203	11,507	(595)	(31,663)	(10,329)
-	-	-	-	-	-	21,183
-	-	-	-	-	-	-
-	-	-	-	-	-	21,183
17,761	1,923	1,203	11,507	(595)	(31,663)	10,854
(49,271)	(9,524)	3,533	8,833	5,056	198,061	(8,183)
\$ (31,510)	\$ (7,601)	\$ 4,736	\$ 20,340	\$ 4,461	\$ 166,398	\$ 2,671

COUNTY OF MENOMINEE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2006

	Special Revenue Funds			
	County Library	CDBG Wells Fargo	CDBG Housing	CERT
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	11,862	-	-	18,268
Local sources	500	3,878	21,980	-
Charges for services	-	-	-	-
Fines, forfeitures and penalties	107,498	-	-	-
Interest and rentals	-	-	-	-
Other	17,632	-	-	-
Total revenues	137,492	3,878	21,980	18,268
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	3,160
Health and welfare	-	-	-	-
Recreation and culture	369,800	9,500	20,595	-
Capital outlay	-	-	-	7,020
Total expenditures	369,800	9,500	20,595	10,180
Excess revenues (expenditures)	(232,308)	(5,622)	1,385	8,088
OTHER FINANCING SOURCES (USES):				
Transfer in	258,414	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	258,414	-	-	-
Net changes in fund balance	26,106	(5,622)	1,385	8,088
Fund balances - beginning	67,506	44,213	(1,483)	(7,457)
Fund balances - ending	\$ 93,612	\$ 38,591	\$ (98)	\$ 631

See accompanying notes to financial statements.

Special Revenue Funds

Local Emergency Planning	Homeland Security Grant	2004 Homeland Security Grant	Canteen	K-9	Senior Citizens	Child Care
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 299,728	\$ -
-	-	272,673	-	-	-	-
-	-	-	-	-	-	18,325
-	-	-	13,261	1,192	-	6,915
-	-	-	-	-	-	25,964
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	811	-	-	-	-
-	-	273,484	13,261	1,192	299,728	51,204
-	-	-	-	-	-	-
-	-	-	-	-	-	-
63	-	753	-	389	-	-
-	-	-	-	-	297,624	195,542
-	-	-	-	-	-	-
-	-	99,953	-	-	-	-
63	-	100,706	-	389	297,624	195,542
(63)	-	172,778	13,261	803	2,104	(144,338)
-	-	-	-	339	-	115,850
-	-	-	-	-	-	-
-	-	-	-	339	-	115,850
(63)	-	172,778	13,261	1,142	2,104	(28,488)
633	(22,404)	(173,906)	31,795	3,498	(1,958)	(37,233)
\$ 570	\$ (22,404)	\$ (1,128)	\$ 45,056	\$ 4,640	\$ 146	\$ (65,721)

COUNTY OF MENOMINEE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2006

	Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Veterans Trust	State-Special Child Care	Library Bequest	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 882,574
Federal sources	-	47,118	-	319,791
State sources	582	72,890	-	508,260
Local sources	-	309	-	48,035
Charges for services	-	-	-	677,945
Fines, forfeitures and penalties	-	-	-	110,998
Interest and rentals	-	-	28	28
Other	-	2,315	-	32,377
Total revenues	582	122,632	28	2,580,008
EXPENDITURES:				
Judicial system	-	-	-	13,829
General government	-	-	-	234,304
Public safety	-	-	-	1,331,976
Health and welfare	1,022	165,299	-	659,487
Recreation and culture	-	-	-	616,843
Capital outlay	-	-	-	168,931
Total expenditures	1,022	165,299	-	3,025,370
Excess revenues (expenditures)	(440)	(42,667)	28	(445,362)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	54,427	-	682,960
Transfer out	-	-	-	-
Total other financing sources (uses)	-	54,427	-	682,960
Net changes in fund balance	(440)	11,760	28	237,598
Fund balances - beginning	353	(19,395)	2,159	50,503
Fund balances - ending	\$ (87)	\$ (7,635)	\$ 2,187	\$ 288,101

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2006

	General Trust and Agency	County Section 125 Plan	Payroll Trust	Library Penal Fines
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 1,616,001	\$ 10,945	\$ 62,987	\$ 39,831
Due from other governmental units	5	-	-	-
	<u>1,616,006</u>	<u>10,945</u>	<u>62,987</u>	<u>39,831</u>
Total assets				
LIABILITIES				
Due to other funds	-	5,000	-	-
Due to other governmental units	1,585,195	-	13,359	-
Other liabilities	30,811	5,945	49,628	39,831
	<u>\$ 1,616,006</u>	<u>\$ 10,945</u>	<u>\$ 62,987</u>	<u>\$ 39,831</u>
Total liabilities				

See accompanying notes to financial statements.

District Court Bonds Payable	Friend of Court Trust	Sheriff Inmate Trust	Totals
\$ 21,460	\$ 936	\$ 24,946	\$ 1,777,106
-	-	-	5
21,460	936	24,946	1,777,111
-	1,000	2,000	8,000
-	-	-	1,598,554
21,460	(64)	22,946	170,557
\$ 21,460	\$ 936	\$ 24,946	\$ 1,777,111



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Commissioners
County of Menominee
Menominee, Michigan 49858

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Menominee, Michigan, as of and for the year ended September 30, 2006, which collectively comprise the County of Menominee, Michigan's basic financial statements and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered the County of Menominee, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Board of Commissioners
County of Menominee

Compliance and Other Matters – As part of obtaining reasonable assurance about whether the County of Menominee, Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that we have reported to management of the County of Menominee, Michigan, in a separate letter dated January 26, 2007.

This report is intended solely for the information of management, others within the organization, County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 26, 2007

COUNTY OF MENOMINEE, MICHIGAN

REPORT TO MANAGEMENT

Year Ended September 30, 2006



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA

REPORT TO MANAGEMENT

Members of the Board of Commissioners
County of Menominee, Michigan

We have audited the financial statements of the County of Menominee, Michigan for the year ended September 30, 2006, and have issued our reports thereon dated January 26, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated September 29, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the County of Menominee, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Menominee's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Menominee, Michigan are described in Note A of the financial statements. We noted no transactions entered into by the County of Menominee, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures, and to reclassify posting errors.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Menominee, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Menominee's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the County of Menominee, Michigan, for the year ended September 30, 2006, we considered the County of Menominee, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated January 26, 2007, on the financial statements of the County of Menominee, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Menominee County Board of Commissioners, management and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 26, 2007

COMMENTS AND RECOMMENDATIONS

September 30, 2006

Repeat Comments From the Prior Year

Budget Violations

Comment:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended September 30, 2006, there were various funds where expenditures exceeded appropriations. It was also noted that several funds had a deficit fund balance.

Recommendation:

We recommend expenditure accounts be closely monitored in order to determine the need to amend the budget to prevent budget violations and that a deficit elimination plan be developed and submitted to the Michigan Department of Treasury for funds in a deficit fund balance position.

Management Response:

Accounts were monitored on a monthly basis by department heads, the monthly reports distributed are now up to date and monitored by the Administrator as well.

Improper Account Classification

Comment:

We noted several instances in which amounts were receipted into incorrect line items or funds.

Recommendation:

Caution should be taken in the account coding and posting process to make certain each receipt is properly classified into the appropriate line item in order to maintain comparability from year to year and budgetary control.

Management Response:

The Treasurer's Office is in the process of hiring a new replacement for this position.

COMMENTS AND RECOMMENDATIONS

September 30, 2006

Inmate Trust Bank Account

Comment:

We noted several checks in the inmate trust account which were over one year old.

Recommendation:

We recommend these outstanding checks be escheated to the State of Michigan. The Sheriff's department may also consider establishing a petty cash drawer at the jail and pay inmates with balances of \$5 or less in cash to avoid issuing checks for small amounts that typically do not get cashed.

Management Response:

With the adoption of the new collection policies after last years audit, along with the state mandated fees, and their implementation there are very few times that an inmate will be released from jail with any funds in his/her account. When an inmate is released from the county jail, if he/she has funds in their account, then a check will be issued from the Cobra Banking System to that respective inmate. After the inmate is released an a check has been issued, we do not have any knowledge if that check has been cashed or not. That information is received by the Menominee County Treasurer, and follow up should occur in that office.

Accounts Receivable Reconciliation

Comment:

During our testing of the Delinquent Tax Revolving Fund we noted that the accounts receivable balance for charge backs was not reconciled.

Recommendation:

To improve internal controls over accounts receivable, an individual should reconcile these types of accounts on a monthly basis to ensure that the activity is being recorded properly.

Management Response:

The accounts receivable and payable that the Treasurer's Office is responsible for, will be balanced on a monthly basis.

COMMENTS AND RECOMMENDATIONS

September 30, 2006

Bank Reconciliations

Comment:

We noted that bank reconciliation's are not being performed timely and they are not being performed by the County Treasurer. It was also brought to our attention that there is an unresolved cash variance of \$6,292, the prior year difference was \$5,715.

Recommendation:

Bank reconciliation's are an integral part of the internal controls and should be completed by the end of the subsequent month. The County Treasurer is the custodian of the County's funds, therefore, an individual in the Treasurers office who does not physically handle the cash should perform the bank reconciliation's.

Management Response:

The Treasurer's office is following this recommendation.

Unrecorded Interest Earnings

Comment:

We noted interest earnings on several CD's for one-quarter had not been recorded in the general ledger.

Recommendation:

During the bank reconciliation process these types of differences should be detected and accounted for in the general ledger.

Management Response:

This will be corrected and a much closer watch will be kept.

COUNTY OF MENOMINEE, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2006

Untimely Distribution of Taxes

Comment:

We noted that state education taxes collected by the County from April to June had not been distributed as of the date of our auditor's report.

Recommendation:

In accordance with MCL 211.43, "units with SEV of more than \$15,000,000 must distribute tax collections (on hand) within 10 business days after the 1st and 15th day of each month."

Management Response:

This has been corrected and the recommendation timelines per the statute will be followed.

Homeland Security Grants

Comment:

During our review of the 2003 Homeland Security Grant we noted that communication equipment for the Sheriffs department was charge to this grant in the County's general ledger but was not included as a reimbursed expense of the grant. This created a deficit in that fund.

Recommendation:

It appears that the Sheriff Department communication equipment was not included in the grant as a reimbursable expenditure and the grant funds were expended on other items. The County should transfer funds into the Homeland Security fund to cover the cost of the communication equipment and eliminate the deficit in that fund.

Management Response:

The remaining deficit will be reconciled by transfer of funds from the General Fund, and all grants will be reconciled by the emergency services coordinator for compliance and reimbursement.

COMMENTS AND RECOMMENDATIONS

September 30, 2006

Current Year Comments and Recommendations

Journal Entries

Comment:

During our analysis of journal entries, we noted many journal entries posted to correct prior journal entries as well as several journal entries which were posted in error. We also noted a journal entry which was proposed that would have taken cash out of the General Trust and Agency Fund and placed it into the Delinquent Tax Revolving Fund to clear out the unknown accounts receivable balance for chargeback's as noted in the "Accounts Receivable Reconciliation" comment noted above. Based upon our review of this journal entry with the County Treasurer, there was no basis for transferring cash from the General Trust and Agency Fund to the Delinquent Tax Revolving Fund to offset this accounts receivable.

Recommendation:

Before journal entries are posted, the County should ensure that they are properly recorded to the correct accounts and that the entry as posted is valid and appropriate. This procedure should be performed by the individual who reviews and approves the journal entry, not the individual initiating the journal entry.

Management Response:

Management will review the process and if need be, take corrective action to prevent any future problems.

Names on County Bank Accounts

Comment:

We noted one of the County's bank accounts has the former County Treasurers name on the bank statement.

Recommendation:

All County bank accounts should reflect the current treasurer's name and all accounts should be reviewed to ensure the proper signators are the only ones listed on the County bank accounts.

Management Response:

This problem has been rectified.

COMMENTS AND RECOMMENDATIONS

September 30, 2006

Timeliness of Sheriff Department Deposits

Comment:

We noted cash collections at the Sheriffs Department from July 2006 were not deposited with the County Treasurer until October 2006.

Recommendation:

To enhance the internal controls over the County's cash, all moneys received by the Sheriffs Department or any other County department should be transmitted to the County Treasurer on a weekly basis. This will assist the County in monitoring its monthly budget activity, safeguard the County's cash and maximize the interest earnings on cash deposits.

Management Response:

We have requested that the Sheriff's Department follow this guideline and deposit funds on no less than a monthly basis, that will coincide with the monthly budget activity reports. The department has receipts for June, August, September and October.

Untimely Distribution of CFR Funds

Comment:

CFR monies were received by the County in March 2006 and were not distributed until September 2006.

Recommendation:

CFR monies should be distributed to the taxing units in a more timely fashion.

Management Response:

Future distributions will be done in a more timely manner.

COUNTY OF MENOMINEE, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2006

Hannahville 2% Grant

Comment:

We noted a Hannahville 2% grant which was issued to Menominee County for the benefit of the Neighborhood Family Center. The check was issued to Menominee County but was cashed by the Neighborhood Family Center, and was never recorded as a revenue or expense in the County's general ledger.

Recommendation:

Any Hannahville 2% monies that are applied for in the County's name should be recorded as revenue in the County's general ledger and an expenditure when paid out. Also, the County should not submit 2% grant applications on behalf of nonprofit organizations, unless those funds are to be used for contracted services between the County and nonprofit entity. Any 2% grants that are passed through to a nonprofit entity where there is no contract for service arrangement, is deemed to be an unlawful expenditure of County funds.

Management Response:

We will no longer pass through Hannahville Grants for non-profits unless there is an agreement for contracted services.